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ABSTRACT

This report suggests a framework for approaching and integrating adequacy as a cornerstone principle in developing a sound state school finance system. The text defines student performance-centered expectations for the education system and suggests that districts determine the educational capacity needed to allow each student reasonable opportunity to accomplish the agreed-upon expectations. The report is intended to encourage and assist state policymakers who must craft statewide school finance systems that meet constitutional requirements, systems that are rational and effective and that build public support for public school investments. The recommendations include five steps as a building block to accomplish an adequate school finance system, such as establishing clear and measurable goals. The report acknowledges the need for policymakers in each state to work within a context shaped by historical, cultural, political, and financial considerations. The booklet presents recommendations for project partners, the emergence of adequacy as a criterion for establishing and evaluating a state school finance system, an adequate school finance system, and a checklist for policymakers. The conclusion summarizes the rational approach to school funding. (Contains 104 references.) (RJM)

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EDUCATIONAL ADEQUACY: BUILDING AN ADEQUATE SCHOOL FINANCE SYSTEM

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Educational Adequacy: Building An Adequate School Finance System

by the
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Foundation for State Legislatures

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July 1998

The National Conference of State Legislatures serves the legislators and staff of the nation's 50 states, its commonwealths and territories. NCSL is a bipartisan organization with three objectives:

- To improve the quality and effectiveness of state legislatures;
- To foster interstate communication and cooperation;
- To ensure states a strong cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado, and Washington, D.C.

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The Education Partners Project

The Education Program at the National Conference of State Legislatures (NCSL) convened a working group in December 1996. The group consisted of 24 individuals whose task was to contribute their collective expertise to a year-long project to examine the topic of educational adequacy. This geographically diverse group was made up of legislators from both large and small states, senior legislative staff, U.S. Department of Education specialists and private sector government affairs representatives. During the course of the project, the partners met on five occasions to listen to school finance experts, review literature and discuss numerous issues relating to adequacy.

The project culminated with a National Forum on Education Adequacy that was held in November 1997, and the release of a report in July 1998 that summarizes the group's best cumulative thinking to date on the topic of educational adequacy. It is hoped that the issues and recommendations raised in this report will better equip states with important concepts to consider and tools to use when they are faced with the question of defining adequacy.

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This document should be attributed to those individuals who were involved in the project, not to the organizations or legislative bodies to which they belong. The views presented here do not necessarily represent the position of the Foundation for State Legislatures or the National Conference of State Legislatures.

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Introduction

"Adequacy" is one of five principles of a sound state school finance system discussed in the 1996 report of the National Conference of State Legislatures' (NCSL) Education Partners Project. In addition to adequacy, the report noted that a state school finance system should be based on the principles of equity, efficiency, accountability and stability. In discussing the principle of adequacy, the report said a sound school finance system "provides adequate resources to local school districts so that they may achieve state and local educational goals and standards."

Following the publication of the 1996 Partners Project report, the Education Partners Project II was established and given the assignment to examine issues pertaining to the adequacy principle. The work of the Partners Project members over an 18-month period consisted of a series of meetings and discussions with some of the nation's leading education finance experts. The work of the Partners Project was further informed by a National Forum on Education Finance Adequacy, which it sponsored in Washington, D.C., in November 1997.

This report suggests a framework for approaching and integrating adequacy as a cornerstone principle in developing a sound state school finance system. It begins first with defining student performance-centered expectations for the education system and then suggests defining the educational capacity needed to allow each student a reasonable opportunity to accomplish the agreed upon expectations. The next step involves examining the state system-wide capacity needed to build district and school capacity. The final step involves determining the level and alignment of funding to develop and maintain the capacity that is necessary to achieve educational objectives.

This report is intended to encourage and assist state policymakers who are challenged to craft statewide school finance systems that meet

the constitutional requirements of their respective jurisdictions and that also build public support for public school investments that are rational and effective. The report acknowledges the need for policymakers in each state to work within a context shaped by historical, cultural, political and financial considerations, but also suggests that a more rational and more effective approach to school finance is required in the future to serve the interests of students, taxpayers and the community.

Recommendations of the Project Partners

- We recommend that state policymakers and courts apply the test of "adequacy" as a primary criterion in examining the effectiveness of any existing or proposed state school finance system.

- We define an adequate state school finance system as one that will provide and ensure the use of sufficient funds necessary to develop and maintain the needed capacity to provide every student a reasonable opportunity to accomplish clearly articulated and measurable educational objectives.

- Use of the word capacity is a pivotal element in constructing an adequate school finance system, insomuch as capacity must support student educational objectives while, in turn, it is supported by sufficient funding.

- We recommend that policymakers use the following five steps as building blocks to accomplish an adequate school finance system.

1. Provide clear and measurable educational goals or objectives expected of students as the basis for an adequate school finance system.

2. Identify those conditions and tools (capacity) that enable schools to provide every student a reasonable opportunity to achieve expected educational goals or objectives.

3. Ensure that sufficient funding is provided to establish and maintain the identified capacity that is essential for schools to provide every student a reasonable opportunity to achieve expected educational goals or objectives.

4. Identify and provide sufficient funding for state-level capacity that is necessary to support the establishment and maintenance in all schools of the conditions and tools that are identified as effective and essential to student learning.

5. Establish a system of accountability measures that will provide policymakers with:
   - Comprehensive, accurate and timely information concerning the use of all public funds for the public education system,
   - The status in every school of those conditions and tools determined to be effective and essential for student learning, and
   - The performance of students relative to expected educational goals or objectives.

The Emergence of Adequacy as a Criterion for Establishing and Evaluating a State School Finance System

State policymakers and courts should apply the test of "adequacy" as a primary criterion in examining the effectiveness of any existing or proposed state school finance system.

Adequacy is emerging as a basis for the establishment and evaluation of state school finance systems as the result of the convergence of two major forces. First, the emphasis on standards-based reforms is focusing attention on student learning as the threshold concern of education policy. Second, policymakers and taxpayers are demanding more accountability for and more effective use of public funding for education. Together, these forces make a compelling argument for a new approach to school finance that clearly links funding to specific educational expectations for students.

Most state school finance systems historically have been designed to promote more equal funding among rich and poor school districts in any given state. These efforts to promote equity have had different appearances—and also different results—from state to state. Generally, however, significant differences in available financial resources have continued to exist among school districts in most states.

Because such disparity has persisted, it has been increasingly common during the past 20 years for state school finance systems to be challenged on constitutional grounds. The constitutional challenges often have cited the absence of equal financial resources among districts as evidence of constitutional violations. The inequity of resources typically has been correlated to unequal opportunity and unequal student performance. In response, legislatures have provided new distribution

schemes for state funds to ensure a more equal availability of financial resources among districts. State courts also have often taken action to ensure more equal availability of resources among districts.

With increasing frequency, however, it has been suggested that simply equalizing spending among school districts will not sufficiently ensure that a state has met its constitutional obligations for public education. It also has been suggested that, even when there is no constitutional challenge, the public interest in quality education programs is not necessarily served simply by providing equitable financial resources among districts, even if spending is relatively high.

State school finance systems also have reflected the desire of state policymakers to defer to local decision-makers about the actual use of state and local school funds. Consequently, a review of schools and school districts within any state often will reveal disparity among and within districts with respect to the conditions and tools available to promote student learning. These disparities cannot always be explained simply by differences in available funds.

Even when confronted by constitutional challenges that are based on arguments that a school finance system is unfair because of unequal funding, many state policymakers resist any suggestion that a more fair and more effective system will be created by spending more or redistributing existing funds because they have little confidence in what is done with the funds they provide. Similarly, many state lawmakers feel hard-pressed to ask taxpayers to invest more to support public education in a climate where there is considerable skepticism about whether the level of funding actually affects student learning.

Recently, some plaintiffs challenging the constitutionality of state school funding systems, some courts examining the constitutional responsibilities of their states for public education, and some policymakers yearning for a more effective use of limited financial

resources have sought a more rational basis for a school finance system—a finance system that is based more clearly on education objectives. Subsequently, they argue that policymakers and courts should apply an "adequacy" analysis rather than—or in addition to—any "equity" test to examine the constitutionality and the effectiveness of a state school finance system.

Courts in several states increasingly are using adequacy principles to determine the outcome of school finance litigation. In reviewing the full gamut of school finance litigation during the past three decades, decisions since the early 1990s indicate a trend for many courts to clearly expand their reviews of funding systems to include not only the principle of equity, but also that of adequacy. In 1997 and early 1998 alone, courts in Ohio, New Jersey, Vermont and, most recently, New Hampshire have ruled against the constitutionality of their state's school finance system. In *Claremont School District vs. Governor*, the New Hampshire Supreme Court stated, "We hold that in this State a constitutionally adequate public education is a fundamental right. We emphasize that the fundamental right at issue is the right to a State funded constitutionally adequate public education." In its summer 1997 ruling, New Jersey's became the first supreme court to mandate that the amount of funding to support education in poor areas of the state must be equal to the average per-pupil expenditures in wealthy areas.

In large part these decisions revolve around whether a finance system provides sufficient revenue for all students to obtain a certain level or standard of education that is considered constitutionally required. In states where the finance system has been invalidated, the high court has defined this standard, invoking the plain meaning of the education article and interpreting it in the context of the times. The Wyoming court said, "[T]he definition of a proper education is not static and necessarily will change." In Vermont the court declared, "Yesterday's bare essentials are no longer sufficient to prepare a student

to live in a global marketplace." In each instance, the court rejected a minimum education as inadequate and, therefore, unconstitutional.

Although adequacy is not the only criterion to be used to evaluate a school finance system, state courts and state policymakers in the future should rely upon the "adequacy" principle as a primary building block of any state school finance system. Adequacy, properly interpreted and applied, is a principle that complements the equity principle, and one that is further supported by the principles of efficiency, accountability and stability. Without adequacy, however, the other principles cannot provide any assurance of a rational and effective school finance system.

Although it is expected that adequacy increasingly will be employed as a criterion for the examination of a state school finance system, the term remains elusive in its definition and application. Once defined, it is a principle that is more difficult to implement because it requires policy decisions beyond the mere distribution of funding. Many policymakers remain uncertain about the meaning or basis of adequacy, and unsure about how—through policy—they can build a system that will withstand scrutiny using the adequacy principle. Such policymakers should benefit from a suggested policy framework that is thoughtful, thorough and intended to guide the policymaker in the design of an adequate school finance system.

Describing an Adequate School Finance System

An adequate school finance system should provide for and ensure the use of sufficient funds necessary to develop and maintain the needed capacity to provide every student with a reasonable opportunity to accomplish expected education objectives that are clearly articulated and measurable.

The challenge for state policymakers is to develop a state school finance system that meets this description of adequate. It is a system that is specifically linked to educational objectives. It requires an alignment among education policies that articulate educational objectives for students, acknowledge the educational capacity required to enable students to accomplish the objectives, and support that capacity with sufficient funding. This description suggests an alignment among education policies, including funding, that typically has not been considered by state policymakers when making decisions about school finances. If implemented, such a system will require policymakers to think beyond the mere distribution of money and the traditional political negotiation process about who gets how much. Instead, it provides for a funding system that is driven by education expectations and intended to emphasize effective practices and the assurance of meaningful opportunity for every student (see appendix A).

To adopt effective policies to implement an adequate finance system that meets this description, policymakers need to consider a series of key issues.

Building an Adequate System
The First Step—Adequate for What?

State policymakers should provide clear and measurable educational goals or objectives that are expected of students as the basis for the establishment of an adequate school finance system.

The policymaking process concerning a state school finance system typically begins and ends with issues about the distribution of money to school districts. Most state funds are allocated to districts through general subsidies rather than categorical funding. The measure of the effectiveness of the finance scheme is indicated by the printout that reports how much funding is received by each school district. Political judgments are made about whether it is enough. "Enough" is debated on the basis of whether districts are receiving a fair share or the effect on local taxes. At the state level, little consideration is given to how the funds actually are used. Practically no attention is given to how much funding individual schools receive from or through their school district, and no attempt is made to relate funding to learning.

Even when equity becomes a major consideration, state policy decisions remain focused on the distribution of money. Formulas are devised and funding is made available based on equalizing both the availability of money among the school districts and the burden on local taxpayers.

In contrast, a school finance system that employs adequacy as a primary principle must, of necessity, begin with the question, "Adequate for what?" Policymakers must respond to the question by articulating clear and measurable educational objectives that are expected of all students. In most states, these educational objectives are being described—and often prescribed—as student standards, outcomes or

expectations. A more rational funding system recognizes that these expectations for student performance—these educational objectives—are the ultimate purpose of the school system and that the state school finance system must be linked to and support this purpose.

Building an Adequate System
The Second Step—Determining what Is Effective or Essential

State policymakers should identify those conditions and tools that enable schools to provide every student a reasonable opportunity to achieve expected educational goals or objectives.

After the "adequate for what" question is answered, policymakers must determine the conditions and tools that are necessary for schools to provide every student a reasonable opportunity to accomplish the expected educational objectives. They must attempt to ensure that every school in every school district has the capacity to give every student a reasonable opportunity to succeed. Without this capacity, it is meaningless to impose expectations on students. Without this capacity, it is misleading to assert that the educational objectives represent the purpose of the education system. An analysis of the capacity issue requires an examination of two questions:

- What individual student needs exist that require attention if every student is to learn?
- What is effective and essential to assure that these needs are fulfilled?

There are numerous suggestions about the elements of capacity at the school or district level that state policymakers may determine to be necessary in their state. For instance, physical resources such as a safe, habitable and wired-for-technology school building may be considered.

The need for instructional resources such as a cohesive and comprehensive curriculum, updated textbooks, computers and interactive software, library materials, or laboratory equipment may be taken into account. Policymakers also may consider the necessity for early intervention and kindergarten programs, health care and nutrition programs, smaller class sizes for younger students, advanced placement courses for secondary students, and orderly classrooms for all. The value to students of qualified teachers, as well as principals and other staff, may be examined. Several important caveats must be noted.

- Determining necessary capacity will be difficult. No prescription can be suggested concerning necessary capacity. There is much research, opinion and anecdotal information to be considered. In the final analysis, however, policymakers in each state will have to make informed judgments about the conditions they wish to foster and the tools they wish to provide.

- The judgments made by policymakers should be informed, not arbitrary. The answers to the capacity question—what is needed and what works—may best be determined when policymakers are informed by, and rely upon, the advice of educators and those who work directly with students.

- The answers to the capacity question—what is needed and what works—may vary from district to district and even from school to school. Although uniformity exists among districts, relative needs are likely to vary as each district and school works with its own blend of students.

- The capacity that must be ensured is that which is necessary to enable a school or district to provide each student with a reasonable opportunity to succeed. It is not sufficient to provide only the elements of capacity that are beneficial to all—or even most—students.

- Although the process of determining capacity will be difficult, if the expectations for students are realistic and linked to serious consequences or goals, the education system is obligated to provide those elements that are determined to be vital for student success.

- It must be emphasized that the adequate system also requires maintenance of—as well as the initial development of—capacity. Policymakers must provide a process for continuous review of the needs of students, what works, and the actual capacity of districts and their schools. What is adequate one year may not meet the same standard in later years.

Building an Adequate System
The Third Step—Linking Funding to the Necessary Capacity

State policymakers should ensure that sufficient funding is made available and used to establish and maintain those conditions and tools that have been identified as effective and essential for schools to provide every student a reasonable opportunity to achieve expected educational goals or objectives.

If expectations for student learning are to have any significant meaning—especially if they are intended to have any real consequences

for students—the expectations must be supported by a school finance system that builds and sustains the educational capacity needed for students to succeed.

If policymakers identify conditions and tools in schools—capacity—that are believed to be effective and essential for every student to accomplish expected educational objectives, there can be no excuse for failing to focus a school finance system on these investments.

If taxpayers are to be persuaded that investing in public education is an effective expenditure of tax funds, they must understand that their tax money is being used to positively affect the performance of students. It is reasonable that taxpayers and policymakers alike will want to know that the money spent for education positively affects what they value most—in this case, student performance.

Large sums of money are spent in most states and many school districts, yet the conditions and tools that many argue are needed if students are expected to succeed are not provided by the education system. Where students fail, many educators and laypersons suggest that they know how to "fix" the problem, but point out that there is not enough money to do things the right way. The dilemma for policymakers and taxpayers who are asked to provide more funding is whether the infusion of additional funds actually will improve student performance.

A more rational approach to building an adequate school finance system must help to resolve this dilemma. The adequate school finance system will be structured and funded in such a way that builds and sustains in every school district the capacity that is deemed vital to ensuring that every student has a reasonable opportunity to accomplish the expected educational objectives. In contrast, a school finance system will fail the adequacy test if it fails to provide all students the

opportunity to successfully accomplish the educational objectives, even though it spends a great deal of money and does so equitably.

Building an Adequate System
The Fourth Step—Building Capacity at the State Level

State policymakers should identify and provide sufficient funding for those activities of their state education agency that are necessary to support the establishment and maintenance in all schools of the conditions and tools that are identified as effective and essential to student learning.

Capacity must exist at the state level as well as at the district and school levels. As state policymakers determine the elements of capacity that must be present at the district or school level, they also must establish a process to determine the components of the statewide system that must exist in order to help ensure local capacity. Again, there is no prescribed formula for this state-level capacity, but some examples may be common among the states.

For instance, the implementation of a statewide system of academic standards for all students will require that statewide expectations of students be translated into a local curriculum supported by appropriate teaching methods and tools. Many school districts and individual educators may require and welcome assistance in various areas, including writing curriculum and the selection and use of teaching methods and tools.

Additionally, a finance system that is rooted in expectations for student performance will include a method for statewide assessments.

The responsibility for this assessment program will likely be determined to be vital to the required state-level capacity.

The emergence of new technologies and the application of those technologies to teaching and learning will make a compelling case in some states for another element of state-level capacity.

If a state determines that qualified teachers are a necessary requirement for all students to learn, state policymakers must determine how state-level activities will support that effort. These decisions may have implications for regulatory and funding policies pertaining to teacher training programs, certification requirements, mentor programs, continuing professional development opportunities, and more.

A fifth example relates to the needs of special student populations. In some circumstances, the effective and essential conditions or tools may be most reasonably provided by a state-level approach rather than by each district or school. This systemwide capacity may include components as diverse as an information and advocacy staff, specially trained staff or training resources, or an accessible inventory of the most costly assistive technology devices.

A final example would be a set of state-mandated interventions that would be available in circumstances where students, schools or districts fail. State policymakers may choose to provide for extraordinary measures to be used in such cases. Twenty-two states have developed "academic bankruptcy" laws that allow them to intervene in schools and districts that fail to meet education standards. State-level capacity would reflect the tools for such interventions.

Many other examples could be cited. We emphasize that policymakers in each state must determine the state-level capacity that makes sense in their state either because a particular component cannot

be reasonably provided at the district or school level, or because considerations of economy or equity argue for a state system.

Each component of the state-level capacity, once agreed upon, must be sufficiently funded. Although state policymakers may assign responsibility for the establishment and maintenance of each component of capacity to various appropriate entities such as a state department, a regional education agency or a higher education institution, it is essential that funding be sufficient and clearly aligned with the specific component of capacity that the funding is intended to support.

Building an Adequate System
The Fifth Step—Accountability Measures for Evaluation of Policy

State policymakers should establish a system of accountability measures that will provide them with comprehensive, accurate and timely information concerning the use of all public funds for the public education system, the status in every school of those conditions and tools determined to be effective and essential for student learning, and the performance of students relative to expected educational goals or objectives.

An important component of statewide capacity is an information system that will provide state policymakers with sufficient data to enable them to make well-informed policy decisions about all matters that need to be considered as the school finance system is constructed and financed. It is imperative that this information system be developed and maintained with the same sense of urgency as all other components of the adequate school finance system.

The framework for an adequate school finance system as described in this report requires the collection and interpretation of information, more than do any of the more traditional approaches to school finance. The success of this adequacy approach depends significantly upon the availability of comprehensive, accurate and timely information to state policymakers. This information must include the actual use of school system funding and the measurable effects on local and state capacity that, in turn, must be measurably linked to student performance. The availability of appropriate information also will be essential to support the necessary continuous evaluation of all policies that comprise the adequate school finance system.

As with other elements of any state's adequate school finance system, the requirements of an information system should be state-specific. In every state, however, any effort to construct and maintain an adequate school finance system must be supported by appropriate and necessary information. Without available information that policymakers can accept as pertinent and reliable, they predictably will resort to more traditional and easier approaches to school funding.

A Checklist for Policymakers

This proposed policy framework to build an adequate school finance system will entail complicated and politically difficult challenges for policymakers. Although each state has its own starting point and context for examination of these issues, it is important to acknowledge at the outset some of the likely difficulties. These challenges are reflected in the following questions that policymakers should consider.

1. Do key policymakers in our state agree that an adequate school finance system will ensure the creation of conditions and tools (capacity) that can be determined to be effective and essential for providing every student with a reasonable opportunity to accomplish expected educational objectives?

2. Is it reasonable to expect those of us who operate in a political marketplace to embrace and sustain a finance system that is more student-learning-centered and less oriented toward each district receiving more state funding? How can we reconcile this apparent conflict?

3. Have we answered the "for what" question? Do we have state policy that articulates clear and measurable educational objectives for all students? If not, are we prepared and willing to articulate clear and measurable educational objectives for all students? If not, is there another basis upon which to build a rational system in which funding is aligned with building necessary capacity that is linked to meaningful student-centered educational objectives?

4. If we have or plan to have expectations of all students, and if we attach significant stakes to student performance, do we agree that there is an obligation for the policymakers who impose the expectations and goals to also ensure the availability of conditions and tools (capacity) that will provide every student with the opportunity to learn?

5. What do we know, and what more must we understand, about the capacity required for every school to enable every student to have the opportunity to succeed? Are we willing to rely upon quality research and the counsel of educators and others who work with children to answer the capacity question? Are we willing to encourage and support research to answer such questions?

6. What process exists or will be established to allow us to reach agreement in policy about the conditions and tools (capacity) required for every school to provide every student with the opportunity to succeed?

7. Will we commit ourselves to provide sufficient funding to develop and to maintain the required local capacity?

8. In a political culture where deference is given to local control, are we willing to prioritize the use of funding—state and/or local—to ensure that every school provides the conditions and tools determined to be necessary?

9. How can we directly link funding to building and maintaining necessary capacity in every district and school?

10. What methods can we use effectively to ensure that local decision-makers prioritize the use of available funds to build the capacity that is deemed to be necessary?

11. What recourse is available to state policymakers if it is demonstrated that a school or district fails to provide the necessary capacity? What intervention will we require to ensure the provision of those conditions and tools that we believe are vital for every student?

12. Are we willing to review all state mandates that require expenditures and determine their relevancy to the capacity that is deemed to be

necessary? Although we recognize that some of the non-capacity mandates are appropriate as protections for the interests of students, parents or taxpayers, are there others that simply divert important financial resources from capacity elements that are recognized as effective and vital?

13. What state-level capacity is necessary to provide support for the development and maintenance of necessary conditions and tools at the school and district levels and how will state policies provide for the establishment and maintenance of that statewide capacity? How will this affect the roles and responsibilities of our state's education agency?

14. How will state funding support the establishment and maintenance of this state-level capacity?

15. What evaluation procedures will we put into place to periodically review the coherency, alignment and effectiveness of our policies concerning student expectations, necessary capacity and funding?

16. Do our state education and legislative agencies have the ability to collect and interpret all the data that is necessary to provide information for the policy discussions that are required to develop this proposed adequate school finance system? If not, are we willing to support building such a system?

17. What strategies will we use to build sufficient support to allow or require state policymakers to sustain this new approach for a reasonable period of time?

18. What other barriers exist to the implementation of a state school finance system that is based upon this definition of the adequacy principle and how will we overcome them?

Conclusion

The development and maintenance of an adequate school finance system requires state policymakers to focus on four primary questions.

- What are the student performance-centered expectations of the education system?
- What educational capacity is required to allow each student to have a reasonable opportunity to accomplish these expectations?
- What state system-wide capacity is required to help build the district and school capacity that is determined to be vital?
- What funding is necessary and how can its use be assured to develop and maintain necessary capacity?

A state school finance system that responds to these concluding questions will require state policymakers to receive and consider information that often has not been available or used in making school finance decisions. It also may require new processes to reach agreement about policies such as expectations for students and effective capacity.

This approach will create a new burden on policymakers, practitioners and education researchers to demonstrate how the availability and use of funding can have a positive and measurable influence on student performance. It will create a new political challenge for state policymakers to prioritize, through regulatory and funding practices, policies that support vital capacity rather than other interests.

A sound school finance system will apply this "adequacy" principle, while also adhering to the complementary principles of equity, efficiency, accountability and stability described in *Principles of a Sound State School Finance System* (1996) that also was written by the NCSL Education Partners Project.

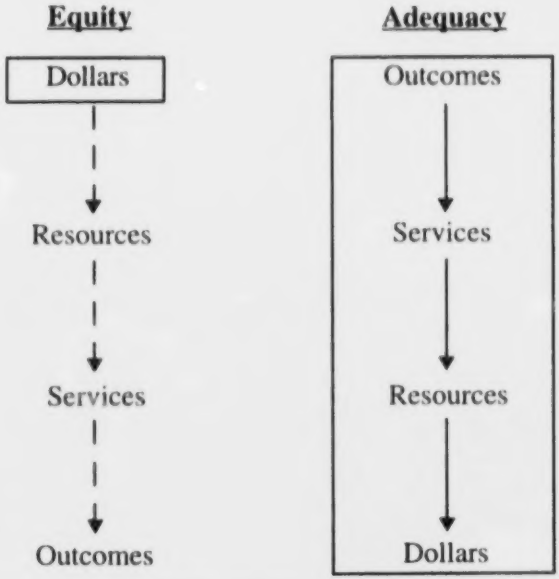
"Adequacy," when properly applied, is a powerful concept that embodies equity and efficiency concerns. If a school finance system guarantees that every student has available the conditions and tools that are necessary to achieve expected educational outcomes, most experts would agree that that system achieves student equity. Furthermore, if the system is one that prioritizes capacity that is vital and effective, it is a system that is more likely to be efficient rather than extravagant.

If implemented successfully, this more rational approach to school funding should result in improved student performance, more effective schools, and the support of taxpayers and policymakers for this important investment of public funds.

APPENDIX A
Equity vs. Adequacy in School Finance Plans

The diagram in figure 1 is offered as a way to consider the difference between the traditional "equity" approach to school finance and the new, emerging "adequacy" approach. Under the traditional "equity" approach, legislators develop a school finance formula that focuses on how money is distributed to school districts. These funds then are used in some way to purchase resources; those resources are combined to provide services; and those services result in some types of outcomes. The link between dollars and outcomes is not explicit. (This is represented in the diagram by the dashed line.) Under this approach, a school finance plan typically is assessed by focusing solely on the

Figure 1. Equity vs. Adequacy in School Finance Plans—Focus



distribution of funding. The fundamental question is: "How equitable is the distribution of education dollars?"

The "adequacy" approach to school finance, in essence, reverses this process. Here decisionmakers begin with the questions, "What outcomes do we expect from the school finance system and what do we want students to know and be able to do?" The next step is to make some judgments about what types of services are most likely to lead to those outcomes in the most efficient manner. (This is likely to be different for different types of students in different settings.) The next question is, "What types of resources are necessary to provide those services?" And the last question is, "How much money is required to purchase those resources?"

Under this approach, outcomes are more deliberately tied to dollars. (This is represented by the solid arrows.) The school finance system now has a more performance based orientation. Now the system is assessed not according to the distribution of dollars or inputs, but according to the distribution of results. In fact, the money necessary to generate equitable results are likely to be very different for different students in different settings.

We note that such an approach does not impinge on local control. Local schools, parents and teachers could still have a wide range of discretion to determine what works most effectively for which students in which settings. Similarly, this type of focus on adequacy does not ignore equity concerns. Rather, we believe it encompasses equity concerns and focuses those on students, by concentrating on the equitable distribution of results rather than on the equitable distribution of funds.

In several states, both legislators and litigators are attempting to move from equity to adequacy in the world of school finance. This is no easy task. A major difficulty is that we do not know with certainty what

educational services lead to what results. However, by asking new and difficult questions, we encourage the generation of new and critical answers. Hopefully, the research community can meet a challenge to help us better understand the relationship between resources, services and results. Then the policy and practice communities can use that information to build adequate education finance systems. In short, by focusing on adequacy, we can ensure that all students receive the resources and services they need to attain high levels of knowledge and skills.

The equity/adequacy diagram was developed by Jim Fox, Senior Economist, National Institute on Educational Governance, Finance, Policymaking and Management, Office of Education Research and Improvement.

APPENDIX B
Suggestions for Further Reading

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APPENDIX C
Definitions of Educational Adequacy—Compiled for the New Hampshire Policy Consortium on Educational Adequacy

NH State Board of Education

An adequate public elementary and secondary education in New Hampshire is one which provides each educable child with an opportunity to acquire the knowledge and learning necessary to participate intelligently in the American political, economic, and social systems of a free government. The components of an adequate public elementary and secondary education are as follows:

1. Broad and well-balanced curricula to equip students with basic knowledge and skills in language arts and reading, mathematics, science, social studies, arts, health, physical education, computers and consumer and workplace technology and to allow students the opportunity to learn a foreign language;
2. Programs and activities to promote the development of character and citizenship;
3. Legally qualified administrative and teaching professionals who focus on student achievement and on implementing the school's educational program;
4. Safe and orderly facilities for educating students;
5. Evaluation and assessment of the effectiveness of the educational program, teachers, instructional methods, and organizational structure; and
6. Evaluation of student academic performance to determine what students have learned and what skills they have acquired.

NH Schools Boards Association (proposed)

An "adequate education" for students in the New Hampshire public schools shall

1. Guarantee that students will graduate from the public school system with the academic and vocational skills and attitudes necessary to become positive caring and contributing members of our current and future society;
2. Enable all students to become positive contributors of our economic, political, learning, and social environments
3. Develop an understanding of, appreciation of, and lifelong commitment to a student's positive state of physical, mental, and emotional health;
4. Enable all students to become proficient with integrating high technology into their lives;
5. Promote appreciation of the historical significance of all cultures and the comprehensive citizenship role one must play to contribute to one's culture;
6. Emphasize educational programming and learning resources which allow all students to function in all aspects of written and verbal communications, mathematics, sciences (physical, political, and behavioral), foreign languages, and the fine arts;
7. Instill in all students a commitment to life-long learning; and
8. Provide a structurally sound and physically safe environment conducive to educational productivity.

Supreme Court of Kentucky (referenced by the NH Supreme Court)

A constitutionally adequate public education should reflect consideration of the following:

1. Sufficient oral and written communication skills to enable students to function in a complex and rapidly changing civilization;
2. Sufficient knowledge of economic, social, and political systems to enable the student to make informed choices;
3. Sufficient understanding of governmental processes to enable the student to understand the issues that affect his or her community, state, and nation;
4. Sufficient self-knowledge and knowledge of his or her mental and physical wellness;
5. Sufficient grounding in the arts to enable each student to appreciate his or her cultural and historical heritage;
6. Sufficient training or preparation for advanced training in either academic or vocational fields so as to enable each child to choose and pursue life work intelligently; and
7. Sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in surrounding states, in academic or in the job market.

Definition used by the plaintiffs in the Claremont (N.H) case (authored by Robert L. Fried, Ed.D.)

An adequate education provides students with a "fair and reasonable opportunity." A "fair and reasonable opportunity" is one that acknowledges and responds to the inner resources and needs that children bring to school, and provides them with an educational program that results in a high percentage of children acquiring the skills, knowledge, and values necessary to develop as responsible and productive citizens and to continue their formal and informal learning as adults. There are four cornerstones that are the foundation of an adequate education:

1. An "adequate education: is an education that provides the physical, personnel, and material resources necessary for children to acquire the skills, knowledge, and values necessary to develop as responsible

and productive citizens and to continue formal and informal learning as adults.

2. An "adequate education" recognizes and responds appropriately to conditions that children possess when they enter school that relate to their ability to acquire the skills, knowledge, and values necessary to develop as responsible and productive citizens and to continue formal and informal learning as adults.
3. An "adequate education" is an education which is managed at the local level in such a way that the resources of the school district are effectively organized for the benefit of children's educational achievement.
4. An "adequate education" is an education which results in student educational achievement that meets the standards necessary for children to acquire the skills, knowledge, and values necessary to develop as responsible and productive citizens and to continue formal and informal learning as adults.

Governor's Task Force on Educational Adequacy (proposed)

It is the policy of the State of New Hampshire that public K-12 education shall provide all students with the opportunity to acquire the education necessary to prepare them for successful participation in the social, economic, scientific, technological and civic realities of society, now and in the years to come; an education that is consistent with the curriculum and student proficiency standards specified in state school approval rules and New Hampshire curriculum frameworks.

An adequate education shall provide all students with the opportunity to acquire:

- skill in reading, writing, and speaking English to enable them to communicate effectively;
- knowledge of mathematics, science and technology to enable them to function in a complex and rapidly changing society;

- grounding in the arts and literature to enable them to appreciate the cultural heritage of our state, nation, and world;
- understanding of sound wellness practices to enable them to make decisions that enhance their own health and safety as well as the well-being of others and the community at large;
- problem-solving, reasoning, and critical thinking skills to enable them to address issues that affect them personally or affect the community, state, nation, and the world;
- career development skills to enable them to deliberately choose and pursue their life's work; and
- knowledge and skills, including the importance of teamwork and life long learning, to enable them to participate successfully in post-secondary education and gainful employment in an expanding international economy.

HB 1660-FN-Local introduced by Reps. Searles, Hills, Guest, and Graf

I. An adequate public elementary and secondary education in New Hampshire is one which provides each educable child with an opportunity to acquire the knowledge and learning necessary to participate intelligently in the political, economic, and social systems of a free government. The components of an adequate public elementary and secondary education are as follows:
   (a) A broad and well-balanced curricula to equip pupils with basic knowledge and skills in language arts, reading, mathematics, science, social studies, arts, health science, physical education, computer and information technology, and consumer and workplace technology, and to allow a pupil the opportunity to learn a foreign language.
   (b) Programs and activities to promote the development of character and citizenship.
   (c) Legally qualified administrative and teaching professionals who focus on student achievement and on implementing the school's

educational program.

(d) Safe and orderly facilities for educating students.

(e) Evaluation and assessment of the effectiveness of the educational program, teachers, instructional methods, and organizational structure.

(f) Evaluations of pupils' academic performance to determine what pupils have learned and what skills they have acquired.

NH School Administrators Association (proposed)

The following are some basic resource components for an educationally adequate program:

- A well-trained, well-qualified, stable teaching force large enough to assure appropriate class size;
- Access to substantial instructional resources, and support staff;
- Well-defined curriculum and graduation requirements;
- A safe learning environment;
- Support for children who come to school with different backgrounds and skills;
- Stable and enlightened leadership and efficient management services.

APPENDIX D
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Educational Adequacy: Building an Adequate School Finance System

As the 1990s come to a close, state legislatures are finding no end to a litany of state finance systems challenged on grounds of equity and adequacy. Since the first lawsuit was filed in Maine in 1918, only five states have avoided school finance litigation. Although they have not abandoned equity constructs, courts throughout the country have begun to examine not only the levels of funding available to school districts but also the adequacy of all resources provided, including textbooks, school facilities and the quality of classroom instruction.

Because funding for elementary and secondary education continues to be a significant portion of state budgets, legislators will continue to grapple with how to provide an adequate and equitable education system for the children in their states. This booklet explores one of five critical principles (equity, adequacy, efficiency, accountability and stability) that constitute a sound school finance system.

Educational Adequacy: Building an Adequate School Finance System is a resource primarily for legislators and legislative staff, however, anyone interested in educational adequacy will find it a useful source of information.

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